

## FISCAL NOTE

### SB 2941 - HB 2908

February 15, 2000

#### SUMMARY OF BILL:

- Increases the tax on cigarettes from 13 cents per pack of 20 to 23 cents per pack of 20.
- Increases the tax on wine from \$1.10 per gallon to \$2.57 per gallon.
- Increases the tax on spirits from \$4.00 per gallon to \$8.00 per gallon.
- Increases the tax on alcohol from \$3.90 per gallon to \$7.80 per gallon.
- Removes the exemption for amusements from sales and use tax outlined in TCA 67-6-330.
- Prohibits the Commissioner of Revenue from refunding the sales and use taxes paid by a motion picture production company located outside the state that meets certain requirements and produces a film in Tennessee.
- Imposes Sales and Use Tax on certain services that are currently exempt from sales and use tax.

#### ESTIMATED FISCAL IMPACT:

**Increase State Revenues - Net Impact - \$359,789,589**

**Increase State Expenditures - \$1,455,587 Recurring  
\$262,750 One-Time**

**Increase Local Govt. Revenues - Net Impact - \$109,850,396**

<u>Increased Revenues</u>	<u>State Portion</u>		<u>Local Portion</u>
Cigarette Tax	\$53,590,594	\$ -	
Wine Tax	6,235,184		1,277,086
Spirits Tax	16,279,871		3,334,432
Alcohol Tax	11,120,537		2,848,232
Sales Tax on Cigarettes	4,138,912		1,568,751
Sales Tax on Wine	91,891		34,454
Sales Tax on Spirits	356,637		133,721
Sales Tax on Alcohol	523,289		196,206
Amusement Tax	15,744,465		5,904,174
Refunds Motion Pictures	Listed Above		Listed Above
Tax on Certain Services	<u>256,900,000</u>		<u>96,500,000</u>
SUBTOTAL	\$364,981,380		\$111,797,056

<u>Decreased Revenues</u>		
Sales Tax on Cigarettes		
[5% Decrease in Sales]	5,064,735	1,899,015
Sales Tax on Wine		
[5% Decrease in Sales]	37,904	14,214
Sales Tax on Spirits		
[5% Decrease in Sales]	55,574	20,840
Sales Tax on Alcohol	<u>33,578</u>	<u>12,592</u>
SUBTOTAL	5,191,791	1,946,661

NET INCREASE IN REVENUES \$359,789,589 \$109,850,396

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Estimate assumes the following:

- Approximately 605,543,438 packs of cigarettes were sold last year.
- A decrease of in-state sales of approximately 5% or 30,277,172 packs due to the increased tax.
- Cigarettes are sold in packs of 20.
- Approximately 5,264,380 gallons of wine were sold last year.
- A decrease of in-state wine sales of approximately 5% or 263,219 gallons of wine due to the increased tax.
- Approximately 5,448,418 gallons of spirits were sold last year.
- A decrease of in-state sales of approximately 5% or 272,421 gallons of spirits due to the increased tax.
- Approximately 3,979,706 gallons of alcohol were sold last year.
- A decrease of in-state sales of approximately 5% or 198,985 gallons of alcohol due to the increased tax.
- An increase in state expenditures of approximately \$1,455,587 recurring and \$262,750 one-time.

<b>RECURRING</b>		<b>ONE-TIME</b>	
<u>Personnel</u>	\$819,840	<u>Office Furniture</u>	\$69,000
2 Special Investigators		23 Employees	
3 Taxpayer Services		Unit Cost:	
12 Processing		\$3,000 Each	
6 Auditors		<u>Telephone Sets</u>	8,050
<u>Maintenance and Fuel</u>		23 Employees	
2 Vehicles (Investigators)	20,000	Unit Cost:	
<u>Telephone and Supplies</u>	42,780	\$350 Each	
Telephone Lines		<u>Computers</u>	69,000
Office Supplies		23 Employees	
<u>Office Space</u>		Unit Cost:	
23 Employees @ 100 sq. ft.	358,800	\$3,000 Each	
Unit Cost \$13 sq. ft.		<u>Automobiles</u>	40,000
<u>MIS Costs</u>	<u>214,167</u>	2 Employees	
		Unit Cost: 20,000	
		MIS System Costs	76,700
RECURRING COSTS	\$1,455,587	ONE-TIME COSTS	\$262,750

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



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James A. Davenport, Executive Director

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